

Memorandum

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Be energy efficient!*

To: BILL FACKENTHALL
Chief
Division of Procurement and Contracts

Date: July 15, 2009

File: P3010-614

ORIGINAL SIGNED BY:

From: GERALD A. LONG
Deputy Director
Audits and Investigations

Subject: FISMA Follow-up Review – Part I, Division of Procurement and Contracts

SUMMARY

Audits and Investigations has completed a follow-up review of the issues identified in the report, "Audits of Internal Controls Pursuant to the Financial Integrity and State Manager's Accountability Act of 1983 (FISMA) for the 2006-2007 Cycle." This is part 1 of a 4 part follow-up review and covers findings related to the Division of Procurement and Contracts (DPAC) covered under the Contracts Subcycle (P3010-609) and Contract Management (P3000-371) sections of the FISMA report. The purpose of this review was to determine whether corrective actions have been taken and the reported findings were sufficiently addressed.

The review covered the period of July 1, 2007, to present. Our review verified that corrective actions to report findings had been completed as stated by DPAC in its 60-, 180-, and 360-day status reports. Our verification procedures included interviews, observations, review of contract documentation, and testing of DPAC contract files.

REVIEW RESULTS

Our review disclosed that most of the corrective actions have been completed. However, we identified the following deficiencies where the reported findings are not sufficiently addressed and/or where corrective actions were not fully completed:

1. We reviewed 16 Architectural and Engineering (A&E) contract files (13 contracts and 3 amendments) and the corresponding monthly Contract Award Reports (STD 16) for the months the contracts were executed and found that 7 of the 13 contracts (54 percent) were not included in the STD 16 reports. The STD 16 reports are used for monthly reporting of executed contracts to the Department of Fair Employment and Housing (DFEH).
2. We reviewed 18 service contract files and interviewed their contract managers, and found the following:

- For 4 of the 12 contracts (33 percent) that required start work notification (6 of the 18 contracts did not require notification), the contract managers did not send a written start work notification to the contractors.
 - For 9 of the 18 contract files (50 percent), contract managers did not date stamp invoices.
3. A separate contract file content checklist, which the contract manager may use as a reference, is still under development at DPAC.
 4. The new web-based contract manager training program, which was recently developed at DPAC, has yet to be implemented.

RECOMMENDATIONS

We request DPAC prepare a plan of action to ensure that:

1. All executed A&E contracts are accounted for in the monthly Contract Award Reports required for notification to the DFEH.
2. All contract managers send a written start work notification to the contractors as well as provide verbal notification.
3. All contract managers date stamp invoices upon receipt.
4. The separate contract file content checklist (as stated in the 360-day response) for contract managers is completed and its use is required.
5. The newly developed web-based contract manager training program is implemented.

Pursuant to FISMA (Government Code sections 13400 through 13407), the above deficiencies will continue to be reported to the Department of Finance (DOF). Please provide our office with status reports on the implementation of your audit finding dispositions 60, 180, and 360 days subsequent to the date of this letter. If all findings have not been corrected within 360 days, please continue to provide status reports every 180 days until the audit findings are fully resolved.

If you have any questions, please contact Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107, or Zilan Chen, Audit Supervisor, at (916) 323-7877.

c: Laurine Bohamera, Chief, Internal Audits, Audits and Investigations
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